Supreme Court, U.S.
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No.

IN THE

Supreme Court of the United States

OCTOBER TERM, 1998

INSITUFORM TECHNOLOGIES, INC.,
INSITUFORM (NETHERLANDS) B.V.
and INSITUFORM GULF SOUTH, INC.,

Petitioners,

vs.

CAT CONTRACTING, INC., MICHIGAN SEWER CONSTRUCTION, KANAL SANIERUNG HANS MUELLER GmbH & CO. KG and INLINER U.S.A.,

Respondents.

ON PETITION FOR WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

PETITION FOR WRIT OF CERTIORARI

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QUESTIONS PRESENTED

1. Did the Court of Appeals so far depart from the accepted and usual course of judicial proceedings as to call for an exercise of this Court's supervisory power when it overturned the District Court's ruling on the fact issue of process patent infringement equivalency by doing its own fact finding, and disregarding the actual evidence of record, the District Court's judgment based on hearing and seeing the witnesses, and the Supreme Court's "limiting principle" that the "function-way-result" test "provides a poor framework for analyzing . . . processes"?

2. Did the CAFC, in its only specific reference to evidence, rely upon an inference that it drew from that evidence which is contrary to the plain and obvious meaning of the evidence, the evidence, when given its plain and obvious meaning, instead supporting and indeed compelling the District Court's rule of equivalency?

LIST OF PARTIES

The only parties to this proceeding are the petitioners, Insituform Technologies, Inc., Insituform (Netherlands) B.V., and Insituform Gulf South, Inc. and the respondents, CAT Contracting, Inc., Michigan Sewer Construction, Kanal Sanierung Hans Mueller GmbH & Co. KG and INLINER, U.S.A.

STATEMENT PURSUANT TO RULE 29.6

Pursuant to Rule 29.6 of the Rules of this Court, petitioners state the following:

The non-party parent companies and subsidiaries (except wholly owned subsidiaries) of the parties are:

Midsouth Partners
Ka-Te Insituform
Insituform France S.A.
United Pipeline de Mexico Sa. de C.V.
Video Injection S.A.
Insituform Linings PLC
Insituform Rohrsanierungstekniken GmbH
N.V. Kumpen Insituform S.A.
Insituform Licensees, B.V.

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Petitioners, plaintiffs Insituform Technologies, Inc., Insituform (Netherlands) B.V. and Insituform Gulf South, Inc. respectfully petition for a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit.

OPINIONS BELOW

The original opinion of the Court of Appeals, styled as this petition is styled, was published at 156 F.3d 1998 (Fed. Cir. 1998). That opinion was reissued and the revised opinion is Appendix A. A copy of the opinion of the District Court, which was unpublished, is Appendix B.

STATEMENT OF JURISDICTION

The opinion and judgment of the United States Court of Appeals for the Federal Circuit was originally entered on September 10, 1998. On October 30, 1998, petitions for rehearing were granted, the original opinion was recalled, and the opinion was reissued. (The reissued opinion differs from the original opinion in a matter not relevant to this petition.) This petition is filed within ninety (90) days of the granting of the motions for reconsideration and the reissuance of the opinion, Supreme Court Rule 13(3). This Court has jurisdiction under 18 U.S.C. § 1254(1).

STATUTORY PROVISIONS INVOLVED

No statutory provisions are involved.

STATEMENT OF THE CASE

This is a patent infringement action in which the United States District Court for the Southern District of Texas had jurisdiction pursuant to 28 U.S.C. §§ 1338(a) and 2201.

The patent in suit is U.S. Patent No. 4,336,012 ("the '012 patent"). It relates to a process in what in 1972 was a new way of repairing underground pipes such as sewer pipes without having to dig them up, involving starting with a soft liner of essentially the same diameter as the pipe and of a length corresponding to the length of the pipe section to be repaired, inserting that liner into the pipe section, expanding it so that it engages the inner surface of the pipe, and causing it to become permanently hard. The liner comprises a pair of plastic layers between which is sandwiched a felt layer, and before the liner is inserted into the pipe the felt layer is impregnated with an initially soft thermosetting resin. That initially soft liner can be inserted into the pipe via a manhole, the liner then bending to enter the pipe and travel along the pipe to a subsequent manhole. After the resin has set the strength and longevity of the thus produced pipe-within-a-pipe is dependent primarily upon the hardened resin, and hence for proper results the felt must be substantially completely impregnated with that resin.

Because the felt initially contains air, which must be removed if the resin is to completely impregnate the felt, it was early recognized that vacuuming the interior of the liner was desirable. In the most relevant prior art that vacuum was applied to the interior of the liner by sucking air from the tail end of the liner. Because the felt is dense it took time for suction at the tail end of the liner to produce an adequate vacuum where it was needed, at the place where the resin contacted the felt. With liners of short length the time involved was not excessive. However, when liners 300 meters long were involved serious problems arose, and today liners up to 1,000 meters long weighing 100 tons are not uncommon, thus exacerbating the problem.

The process that the '012 patent teaches is to initially suck air through an opening (which the patent calls a "window") in the outer plastic layer at a point close to the location where the

resin comes in contact with the felt (the "resin front", as it is called), since it is the vacuum at that resin front which determines the degree to which the resin will impregnate the felt. As the resin front approaches this point, the opening is sealed so as to prevent loss of the vacuum, a new opening is formed downstream of but not very far from the resin front, air is sucked through that opening until the resin front approaches it, and the process is repeated as needed. The patent says that

> the vacuum *may* be applied through a window in the film in the wall of the tube by means of a cup applied to said window and connected to a source of vacuum by means of a flexible hose, whereby the cup can move with the tube during its movement (emphasis added).

At the time of the first trial, before a jury in June of 1991, the process that defendants employed involved the use of cups to suck the vacuum, as disclosed in the patent. The liner that defendants use differs from the liner disclosed in the patent in having its outermost plastic layer covered by a very thin layer of felt which plays no part in the impregnation procedure. Because of the porosity of that outer thin felt layer those cups proved not to be entirely reliable, and hence at a later date defendants commenced to use hollow needles connected at one end to the vacuum source and sharpened at the other end so as to be pushed through the outer felt layer and the outer plastic layer, thereby to gain access to the interior of the liner, the air in the liner being sucked out through the opening formed in the outer plastic layer by inserting the needle through the outer plastic layer, which plastic layer sealingly engages the outer surface of the needle in order to produce the necessary seal to prevent air from entering the liner.

The single claim in suit, Claim 1, is drawn to "a method of impregnating with a curable resin an inner layer of resin

absorbent material disposed in an elongate flexible tube having an outer layer formed by an impermeable film". The claim specifies eight individually numbered steps. It is conceded that defendants' needle process corresponds to all of those steps except step (3), which reads as follows:

> (3) drawing through the window a vacuum in the interior of the tube downstream of said one end by disposing *over* the window a *cup* connected by a flexible hose to a vacuum source which *cup* prevents ingress of air into the interior of the tube while the tube is being evacuated, the outer layer of the tube being substantially impermeable to air.

The only difference between defendants' needle process and step (3) is represented by the italics — the use of a *needle* which forms its own window and is disposed *through* the window rather than being *over* the window. *All* of the non-italicized portion of step (3) literally describes the needle process as well as the cup process.

CHRONOLOGY BELOW

At the first trial in 1991 the jury, after being properly instructed as to literal infringement and infringement by equivalency, but not being required to specify which, found that defendants' cup method infringed the '012 patent. Defendants moved for a judgment as a matter of law. The District Court granted that motion with respect to literal infringement, denied it with respect to infringement by equivalents, and ordered a new trial on the equivalency issue.

That new trial was held in February of 1995. It lasted three days. Both defendants' cup method and needle method were considered. With respect to the needle method (the only method involved in this petition), the Court heard four witnesses —

Mr. Guilio Catallo, the sole owner of the domestic defendants (called by plaintiffs), Mr. Peter Smith, an expert technician in plaintiffs' employ, Mr. Frank Vaden, an attorney-expert called by plaintiffs, and Mr. Robert Harmon, an attorney-expert called by defendants. The Court also saw video tapes of plaintiffs' cup process and defendants' needle process.

In November of 1995, the District Court ruled that defendants' needle process infringed Claim 1 of the patent in suit under the doctrine of equivalents. Defendants appealed to the CAFC, which, in November of 1996, remanded the case to the District Court because the District Court had interpreted the claim to literally include the use of a plurality of cups, that being, in the opinion of the Court of Appeals, an erroneous interpretation of the claim, which therefore might have erroneously affected the District Court's conclusion with respect to the cups-needles equivalency issue. On December 31, 1996, the District Court issued its revised findings, acknowledging the literal claim interpretation posited by the Court of Appeals but still finding that the use of multiple needles or cups was equivalent to the use of cups in the claimed process. Defendants appealed that District Court ruling, the Court of Appeals affirmed the District Court on the multiple-single cup equivalency issue, but reversed the District Court on that needle-cup equivalency issue, and it is with respect to that reversal that we here seek certiorari.

REASONS FOR GRANTING THE WRIT

I.

INTRODUCTION

The issue in this petition is not fact-intensive. We are *not* asking this Court to substitute its conclusion of equivalency *vel non* based on the facts from that of the Court of Appeals. Far from it. Were we to request that, we would be asking this Court to commit the same error that the Court of Appeals was guilty of.

Instead this is a petition to correct a gross *procedural* error of the court below, an error which, if not nipped in the bud, would frustrate what this Court has recently posited as the way it wants the patent law on equivalency to develop. That error is the action of the Court of Appeals in deciding matters of fact on its own, arbitrarily and without regard to the judgment of the District Court based upon a full-fledged trial and without regard to the record.

We discuss testimony (the facts), but only to show how the action of the court below did not come up to the accepted legal standard for appellate review. We do not ask this Court to choose one set of facts or another, but rather to correct the action of the court below in wrongfully making just such a choice rather than as the law requires, looking to see if there was any credible evidence which would support the ruling of the District Court.

II.

IN GENERAL

This Court, in *Warner-Jenkinson Co. v. Hilton-Davis Chemical Co.*, 520 U.S. 17, 117 S. Ct. 1040, 41 USPQ 2d 1865, 1876 (1997), said that it expects "that the Federal Circuit will refine the formulation of the test of equivalents in the ordinary course of case-by-case determinations", a worthy expectation, and one particularly applicable to an issue such as equivalency, but one that is frustrated and perverted by the unreasoned, unsupported and unreasonable actions of the Federal Circuit in this case. The court below gave lip service to the "no reasonable trier of fact could have found" test but totally ignored the plethora of evidence which supports the District Court's findings and the virtual lack of any evidence, much less credible evidence, to the contrary other than: (a) an unsupported and conclusory assertion by Mr. Catallo as to needle superiority; and (b) an insupportable inference drawn by the court below from certain testimony of the inventor.

This so far departs from the accepted or usual course of judicial proceedings as to call for exercise of the Supreme Court's power of supervision.

What is involved here is far more than a determination of an issue of interest only to the litigants. What is needed here is the interposition of the Supreme Court to remind the Court of Appeals that arbitrary actions on its part can and will be corrected and that the application of a rule of law cannot be evaded by lip service to that rule. It is essential to review the action of the Court of Appeals when it acts irrationally and arbitrarily if there is to be that development "of the test for equivalents in the ordinary course of case-by-case determinations" that the Supreme Court is relying on.

These are harsh words. This is why we assert them.

III.

THE COURT BELOW IGNORED THE LAW

The Court of Appeals, in its opinion here at issue, acknowledged that:

> "Infringement, both literal and under the doctrine of equivalents, is a question of fact which we review for clear error when tried to the court. *See SRI Int'l v. Matsushita Elec. Corp. of Amer.*, 775 F.2d 1107, 1125, 227 USPQ 577, 589 (Fed. Cir. 1985) (*in banc*); *see also Hilton-Davis Chem. Co. v. Warner-Jenkinson Co. Inc.* 62 F.2d 1512, 1529, 35 USPQ 2d 1641, 1657 (Fed. Cir. 1995) (*in banc, reversed on other grounds*, 117 S. Ct. 1040, 520 U.S. 17, 41 USPQ 2d 1865 (1997)."

As the Federal Circuit has pointed out in *Rolls-Royce Limited v. GTE Valeron Corp.*, 800 F.2d 1101, 1106, 231 USPQ 185, 188 (Fed. Cir. 1986) (a case relied upon by defendants at page 4 of their reply brief before the Court of Appeals):

> "where there are two permissible views of the evidence, the fact finder's choice between them cannot be clearly erroneous", *citing*, "*Anderson v. City of Bessemer City, N.C.*, 470 U.S. 564, 105 S. Ct. 1504, 1512, 84 L. Ed. 2d 518 (1985); *see also Polaroid Corp. v. Eastman Kodak Corp.*, 789 F.2d 1556, 1558, 229 USPQ 561, 563 (Fed. Cir. 1986). . . . Moreover, if an appellant could establish clear error in a District Court's findings, i.e., in the court's view of apparently conflicting evidence, by merely citing a contrary view advocated at trial by appellant's expert, the fact finding role of the

> District Court would be rendered meaningless. *See Polaroid, supra*, 789 F.2d at 1573, 229 USPQ at 574."

The latter *Polaroid* reference includes the following:

> "Kodak has cited no authority, and there can be none, to support its suggestion that we substitute an independent, de novo evaluation of Kaprelian's testimony for that matter by the District Court. Trial courts have and must continue to have the right to reject the testimony of a witness, a right that can be defeated only when clear error is shown. (Citing cases.) That a trial court's opinion does not contain language expressly discrediting a witness' testimony does not license an appellate court to reweigh that witness' testimony and to make its own credibility determination."

The Supreme Court opinion in *Anderson*, cited in *Rolls-Royce* and *Polaroid*, was also cited in *Hybritech Inc. v. Monoclonal Antibodies Inc.*, 802 F.2d 1367, 1375, 231 USPQ 81, 87 (Fed Cir. 1986), as follows:

> "In other words, "if the District Court's account of the evidence is plausible in light of the record viewed in its entirety" or "where there are two permissible views of the evidence", the fact finder cannot be clearly erroneous."

Accord, Miles Laboratories, Inc. v. Shandon, 997 F.2d 870, 874, 27 USPQ 2d 1123, 1125 (Fed. Cir. 1993).

In *Kairn v. Chrysler Corp.*, 32 F.2d 1541, 1548, 31 USPQ 2d 1746, 1751 (Fed. Cir. 1994) the Federal Circuit said:

> "We review the evidence in the light most favorable to (the patentee), the nonmoving party (in a motion for JMOL), drawing all reasonable inferences in his favor. . . . Under the substantial evidence standard, the appellate court's function is exhausted once a sufficient evidentiary basis is deemed to exist to support the jury's findings."

But the Court of Appeals in this case did not follow its own law. It did not review the evidence, much less in "a light most favorable to the patentee", it drew, and relied upon, an inference in favor of the defendants, and it did not indicate that it even sought to ascertain whether a sufficient evidentiary basis existed to support the District Court's findings.

What the Court of Appeals did was ignore the testimony before the District Court, substitute themselves for the District Court in fact finding, and come to a conclusion of lack of equivalency which is not only totally unsupported by the record but which is based upon a palpably incorrect evaluation of the single piece of testimony to which they refer and on which they admittedly placed great stress.

IV.

THE COURT BELOW IGNORED THE TESTIMONY

A. It Drew an Improper Inference Adverse to Plaintiffs

The court below did make one reference to testimony in the record and said it was "a factor that affects our equivalent infringement analysis", to wit, the testimony of Mr. Wood, the inventor, at the first trial. (Mr. Wood passed away between the first trial and the second trial, so he was not a witness at the second trial.) The court below misinterpreted that testimony, ignored its plain meaning, and drew from it an "inference" which was totally unjustified.

At the outset, it is important to note that at the time of the Wood testimony there was not the slightest suspicion that a cup/needle issue would ever be involved in the case, since at that time defendants testified only to the use of cups.

The court below would have it that Mr. Wood "*attempted* to use a needle instead of a cup", that he "first *tried* to use needles", and the Court then inferred that the inventor was "unable significantly to practice his claimed method using a needle instead of a cup."

To the contrary, Mr. Wood's testimony on the subject, completely unchallenged in the record, was as follows:

> ". . . when we changed the technology from using the hyperdermic needles in the rubber pad to the cuts, I honestly can't tell because changes of technology *take place gradually. When we first started everybody used these hyperdermic needles in the pad.* Then what happened somebody would kneel on one, or you'd damage the bag or damage the person, they were dangerous.
>
> So this technology of the cuts is more secure in that you can't pull the pad off, put it down again, and they destroy the surface of the bag with those hyperdermic needles. So it was changed for sensible reasons, but I honestly don't when. (sic)
>
> Q. This is the first time I think that we've heard about these hyperdermic needles. Would you please tell us what that's all about?
>
> A. Well, *they do the same function as the cups.* They make holes in the tube without destroying the felt.

> That was our first idea when we starting doing the cup imp — vacuum impregnation. I am, as I said, a farmer and I can get these cow needles quite easily. Then we made this, this — these up, and *they worked very well*. But they turned out to be highly dangerous to the process because if you put them down on the tube and knelt on them, or put them down too hard, they made a lot of holes in the bag.
>
> When you pull the needles out, you cannot see at all where they penetrated. And it does tend to destroy the vacuum or it allows resin to come out and it would be especially serious when it's on the inside when the dual purpose film turns around and is on the inside. So we had one or two disasters caused by these and then people *started* to change. And it was *over a period* that they went on to the — what we think is a safer method. Until now everybody uses the cut system or a variation in the cut system."

(Pages 2156-57) (emphasis added).

When Mr. Wood first started everybody used needles, "they worked very well" but "people started to change . . . over a period . . . until now everybody uses" cups.

The proof — the record — is unrebutted, that the inventor indeed *was able satisfactorily* to practice his claimed method using a needle instead of a cup. This is not at all a matter of "something disputed by the parties" as the court below would have it. Looking at the record, which is the only place one should look, and discarding attorney arguments, as one must, there is no "dispute" at all. The record establishes the unrefuted, and hence controlling, fact.

Indeed, the Wood testimony alone compels a conclusion of equivalency, particularly in view of the significance, not refereed to by the Court, of the close relationship between interchangeabilty (which Wood proved) and equivalency. *Warner-Jenkinson Co. v. Hilton Davis Chemical Co.*, 520 U.S. 17, __, 117 S. Ct. 1040, 41 USPQ 2d 1865, 1874 (U.S. Sup. Ct. 1997). ("The known interchangeability of substitutes for an element of a patent is one of the expressed objective factors noted by *Graver Tank* as bearing upon whether the accused device is substantially the same as the patented invention.")

B. It Ignored the Proofs in the Record

The Court of Appeals first semantically criticizes the language that the District Court used in finding equivalency of function, way and result. However, in so doing it completely ignored this Court's caveat in *Warner-Jenkinson*, 520 U.S. at __, 41 USPQ 2d at 1875, that

> "there seems to be substantial agreement that, while the triple identity test may be suitable for analyzing needle devices, it often provides a poor framework for analyzing . . . processes,"

and the claim here involved is to a process.

The court below then focused on the "way" part of the "triple identity" test, pointing out that the cup is "disposed over a 'window' cut in the outer, plastic liner of the tube and pressed on top of the exposed felt layer", whereas the needles are "inserted through multiple punctures into the center of the top (through the felt layer)."[1]

1. The court below uses the word "multiple" only in connection with the needle process, but the court had previously ruled in the earlier (Cont'd)

The court below then asserts, without any supporting reference to testimony, that there are "substantial differences" between the two processes, so substantial that "no reasonable trier of fact could have found (them) to be equivalent".

What are those "differences", substantial or not, as reflected in the record? Mr. Catallo, the sole owner of the domestic defendants, made only two allegations in that regard, to wit, that with the needles one was "actually drawing (vacuum) from within the tube" (Record, p. 91) and that "the needle don't deteriorate" (Record, p. 111).

The latter reference is to a comparison between the rubber plunger type of suction cup and the metal needle, but the record shows that suction cups are also made of metal as seen in plaintiffs' video tape (Record, p. 230). Perhaps that is why the court below made no reference to this allegation.

As to the former differentiation, which is the only one referred to by the Court of Appeals, there is nothing in the record to support Mr. Catallo's conclusion of increased efficiency, and there is much in the record to refute it. *See* the testimony of Mr. Smith, at pages 165-166, 236, 239-240, 251 and 555-556 of the record and the results of his actual testing, Defendants' Exhibit 36, all Appendix C, leading him to conclude "that the cup and (the needle) evacuate a liner or tube with equal efficiency" (Record, p. 239) and "that a needle with a quarter inch diameter is about as effective as a vacuum cup in removing the air. At less than a quarter inch it is less effective" (Record, p. 166). And after the video tapes from both sides had been played and replayed for the Court, he said:

(Cont'd)
portion of its opinion that the use of multiple cups was the equivalent of the use of a single cup, so that the "single–multiple" difference cannot support a finding of non-equivalency.

> Q. Do you have an opinion as to the relevant efficiency of the impregnation that was carried out in the Insituform tape (cups) and the Inliner tape (needles)?
>
> A. I have no reason to think there is any difference." (Record, p. 556.)

There was no cross examination with respect to that statement. Indeed, that was the very last question and answer at the trial.

Mr. Smith's testimony and experiments alone provide a controlling factual basis for a finding of equivalency and should prevent a reversal.

But there is more. Mr. Catallo's testimony with respect to needles itself supports a finding of equivalency. He told us that initially he used suction cups, but because he provided on the outside of his liner a very thin layer of felt (which the City of Houston's engineer, Mr. Nix, called "fuzz") and because the suction cup was applied to that porous fuzz, "we were having problems getting the cups to stick to the tube and the cup falling off" (Record, p. 74). Needles were used to avoid that problem. He also very reluctantly was forced to concede that when the needle is put through the plastic layer to form a hole "that hole is squeezing down on the needle. . . . It gets some air around the needle, but not a lot." He agreed that the degree to which air does come around the needle is bad, and when you punch (the needle) through the film "it creates a seal between the film and the needle. O.K.? Yes, sir. . . . I don't have a cup preventing the ingress of air into the interior", but he agreed that he does have a needle preventing the ingress of air (Record, pp. 91-92). (Relevant Catallo testimony pages are Appendix D.)

Particularly significant with respect to the needle-cup equivalency issue is the attempt by the District Court to get defendants' patent expert, Mr. Harmon, to explain why the needle was not the equivalent of the cup (Record, pp. 482-485).

And then later, when Mr. Harmon was being asked about defendants' video tape which had just been shown to the court he had this to say:

> "Q. And indeed even with the needle, it would seem, judging from what you've told us about the videotape, even then they have a problem with leakage around the needle and sometimes they have to use tape around the needle, right?
>
> A. That's right. I'm not sure I fully understand that problem. But I did see that and it was described to me that way. Once in a while, they have to put the needle through a piece of tape.
>
> Q. And isn't that also — if you have Claim 1 in front of you here, the Patent Claim 1 — well, I'll hold it here — what we were just talking about, the leakage around the outside of the needle that we were trying to prevent, that is the kind of thing that is referred to in Section 3 of the Patent Claim 1, prevents ingress of air into the interior of the tube while the tube is being evacuated?
>
> A. Sealing around the needle would assist in that, yes.
>
> Q. That's the purpose of the sealing, to try to accomplish that in a more efficient manner, right, more effective manner?
>
> A. As far as I know."

(Record, p. 525. Harmon pages as Appendix E.)

So not only is there nothing but Mr. Catallo's obviously biased say-so to support the allegation that needles are in some unspecified way superior to cups in the claimed process but we have this empirical testimony by defendants' only witness that needles are *inferior* to cups in preventing air from entering the liner, and being inferior at that is, after all, the worst thing that can happen in a process the objective of which is to remove air.

And of course plaintiffs patent law expert, Mr. Frank Vaden, a counterpart to Mr. Harmon, testified vigorously in support of equivalency, applying the tripartite test (relevant testimony pages are Appendix F).

Hence it cannot be denied that at the very least there are here two permissible views of the evidence, yet the Court below ignored that.

CONCLUSION

This petition should be granted in order to ensure the meaningful development of the test of equivalents in case-by-case determination by reminding the Court of Appeals that appellate review of fact determination is limited to determining whether the District Court's conclusion is plausible in light of the record viewed in its entirety, and that when it departs from that salutary principle and subverts the proper development of the doctrine of equivalency, this Court will step in to get the development of the law back on track.

Respectfully submitted,

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